

Defense Giants to Merge Today Amid Heartache

By John Mintz

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The Pentagon hails the \$10 billion merger of Martin Marietta Corp. and Lockheed Corp., to be closed today, as a master stroke for the nation's security, but both companies acknowledge they've embittered hundreds of employees by delaying announcements of who will be laid off.

The consolidation will create the world's biggest defense firm, with \$23 billion in sales, but it also will cause heartache for thousands of families whose breadwinners will be let go—and in a defense industry that has lost 700,000 jobs in the past three years alone. The merged company is expected to shed about 30,000 of its 170,000 jobs in the next 18 months.

While the companies' executives call their union a "merger of equals," many employees of Lockheed, who this week will start moving from their Los Angeles head-

quarters to Martin Marietta's offices in Bethesda, say they worry that their proud firm is being gobbled alive by Martin Marietta, which they believe is less entrepreneurial, as well as more top-down and secretive.

"Lockheed people think Martin Marietta's getting everything it wants," said Michael Smith, who's heading Martin's transition and will be the merged firm's marketing chief. "People here say they think Lockheed's buying Martin Marietta. It depends what side of the fence you're on. . . . We're doing this in a balanced fashion."

Management jobs at the new Lockheed Martin Corp. are being handed out 50-50 to the two firms' executives. But many Lockheed personnel are discouraged about moving to Martin Marietta's turf, and worry about what will happen later this year when their popular chairman, Daniel Tellep, 66, is expected to retire as Lockheed Martin chairman. Martin Marietta Chairman Norman R. Augustine, 59, will then ascend from president of the new firm to chairman.

"There's a black cloud hanging over this building," said a Lockheed executive from the company's Calabasas, Calif., headquarters. "It's the feeling we're getting [the short end of the deal], that Tellep won't be around long."

One reason for the delay in telling employees was that the firms couldn't agree on issues of corporate structure. Lockheed is relatively decentralized, and empowers division heads. Martin Marietta resembles its Pentagon customer, and key decisions go through the top brass's offices.

The companies had told headquarters employees they would be told of their job prospects as early as November—then December, then January. Some projects ground to a virtual halt, and morale declined, employees said. The personnel meetings didn't begin until the last week in February—six months after the deal was announced and only days before the new firm was to be

See MERGE, C4, Col. 1

Lockheed, Martin to Merge Today

MERGE, From C1

launched. Some still haven't been told whether they have jobs.

"Six months of not knowing was a long time," said Pat Ryan, a Lockheed trade specialist. "There's a grieving. . . . People want closure now, saying, whatever you're going to do, do it."

The companies acknowledge the transition could have gone better. "What we're guilty of is setting a very ambitious schedule," said Martin Marietta spokesman Charles Manor. "On opening day, we'll have people in the right jobs, rather than what happens in most mergers, which is two organizations in two buildings."

"The delays were caused by trying to do the right thing, ensuring we were acting in the long-term interests of everybody involved," said Lockheed spokeswoman Susan Pearce. "Part of what caused angst is people were dedicated to their own companies, and wanted to ensure their traditions lived."

The angst is only beginning for those let go. "I'm out of a job, in an industry where I don't stand a chance of finding another," said a Martin Marietta employee who had received conflicting signals before being laid off. "It's a travesty."

The merger—to be closed today after approval at separate annual shareholder meetings in Chicago—won't bring many jobs to this region.

Each corporate staff had about 500 employees, and when merged together, the new headquarters will have about 600—meaning 40 percent will have retired or been laid off.

Veterans of Lockheed—builder of the F-16 fighter and C-130 transport—see its departure from Los Angeles as another milestone in the company's removal from its legendary history in Southern California.

Lockheed families have retold the story for generations—how, in the days after Pearl Harbor, 100,000

TOP 10

THE INDUSTRY'S LEADERS TODAY ARE VERY DIFFERENT THAN IN 1991

1991		1994	
Company	Military sales, in billions	Company	Military sales, in billions
1. McDonnell Douglas	\$9.5	Lockheed Martin	\$11.6
2. General Dynamics	7.7	McDonnell Douglas	7.5
3. General Electric	7.2	Northrop Grumman	4.7
4. Lockheed	6.9	GM Hughes Electronics	4.1
5. GM Hughes Electronics	6.2	Raytheon	3.2
6. Boeing	5.6	United Technologies	3.1
7. Northrop	5.1	General Dynamics	2.2
8. Raytheon	5.0	Loral	1.7
9. Martin Marietta	4.5	Boeing	1.7
10. United Technologies	4.0	General Electric	1.6

SOURCE: Fortune magazine

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Lockheed employees labored day and night to churn out bombers for World War II—100 a day for four years. The roof of the colossal plant in Burbank was camouflaged against a possible Japanese attack with tarpaulins depicting farm scenes, painted by Hollywood set designers.

Current-day Lockheed employees speak often of the collegiality at their headquarters.

Built in 1986, during the defense industry's fat years, the complex is so splendid that on occasion in this era of leanness, it's slightly embarrassed the firm, Lockheed officials said. Nestled beside the Santa Monica Mountains, the modern hacienda-style building has huge picture windows from which employees can look out over a stunning canyon and bird of paradise flowers that attract hummingbirds year-round.

Many Lockheed employees are declining to move to the Washington area because they think it's a dreary, work-obsessed town that can't compare with L.A., where, they point out, you can wear flip-flops at Christmas.

Jimmy Toy, who has worked as a Lockheed financial planner for 19 years but is resisting supervisors' pleas that he move to Martin's concrete edifice off I-270 here, said he unconsciously withdraws into a shell when his new colleagues seek help loading data into Bethesda's computers. "I see myself pull back emotionally," he said.

But now, only days before the movers arrive, there's little time for sentiment. Lockheed has hired consulting firms to get employees to speed the process of selling their homes and settling in Washington. Concluding that the less time employees spend mourning the past, the more time they spend making the merger work, Lockheed will pay them a bonus, 5 percent of the price of their Los Angeles homes, if they sell fast.

But the prices on many Lockheed employees' homes tumbled after last year's earthquake, which was centered only miles from the firm's headquarters.

Some Lockheed employees also vent their anger about the \$85 million in payouts the combined firm will have to make to Martin Marietta officials under a decade-old procedure in the event of a merger.

In addition, people from both firms say Lockheed did a better job of informing employees about news of the merger, good and bad. Martin Marietta employees trafficked in issues of in-house Lockheed newsletters, which aired employees' hard questions about the deal, and management's answers.

"I won't forget this job," said Mary Fernandes, who worked as a Lockheed secretary for eight years before being promoted to graphic artist in 1993—and laid off last week. "I just want this to be over."